

## Message Text

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46

ACTION EB-07

INFO OCT-01 AF-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 AGR-10 TAR-01 /101 W

----- 118313

R 071340Z AUG 75

FM AMEMBASSY PRETORIA

TO SECSTATE WASHDC 2431

INFO AMCONSUL CAPE TOWN

AMCONSUL DURBAN

AMEMBASSY GABORONE

AMCONSUL JOHANNESBURG

AMEMBASSY MASERU

AMEMBASSY MBABANE

UNCLAS PRETORIA 2975

E.O. 11652: N/A

TAGS: EFIN, EINV, SF

SUBJ: FOREIGN INVESTMENT CLIMATE AND  
STATISTICS

REF: STATE 165596

### 1. NARRATIVE STATEMENT

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1. SOUTH AFRICA ENGOURAGES FOREIGN INVESTMENT AND HAS BEEN NOTABLY SUCCESSFUL IN ATTRACTING FOREIGN CAPITAL IN RECENT YEARS. LONG-TERM CAPITAL INFLOWS FOR THE PRIVATE SECTOR OF THE ECONOMY AMOUNTED TO A NET TOTAL OF ALMOST \$2.9 BILLION IN THE FIVE YEARS FROM 1970 THROUGH 1974. TOTAL DIRECT FOREIGN INVESTMENT IN THE PRIVATE SECTOR AT THE END OF 1972 HAS BEEN ESTIMATED AT \$6.4 BILLION.

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WM NEW FOREIGN DIRECT INVESTMENTS REQUIRE GOVERNMENT

APPROVAL AND FOREIGN INVESTMENT IN CERTAIN STRATEGIC INDUSTRIES IS NOT PERMITTED. NEW FOREIGN DIRECT INVESTMENTS MAY NORMALLY BE MADE ONLY BY THE TRANSFER OF FUNDS TO SOUTH AFRICA THROUGH BANKING CHANNELS. THE CAPITAL THUS INVESTED IS SUBJECT TO BLOCKING FOR FIVE YEARS, BUT DIVIDENDS, INTEREST PAYMENTS AND ROYALTIES MAY NORMALLY BE FREELY REMITTED. THERE IS A LOCAL BORROWING CEILING OF 25P/C OF CAPITAL FOR COMPANIES WHOLLY OWNED BY FOREIGN INTERESTS- THIS CEILING MY BE RAISED FOR COMPANIES HAVING SOME LOCAL PARTICIPATION.

3. GENERAL ECONOMIC PERFORMANCE HAS BEEN OUTSTANDING IN RECENT YEARS. GROSS DOMESTIC PRODUCT (GDP) WAS \$31.3 BILLION IN 1974. REAL GDP WAS 26 P/C ABOVE THE LEVEL OF FIVE YEARS EARLIER. EXPORTS OF GOODS ( INCLUDING GOLD) APPROXIMATELY BALANCE IMPORTS OF \$8 BILLION (1974). A DEFICIT ON CURRENT ACCOUNT, REFLECTING LARGE NET PAYMENTS FOR SERVICES, IS BALANCED BY CAPITAL IMPORTS, AMOUNTING TO SOME \$1 BILLION IN 1974.

4. A CARDINAL POLICY OF THE GOVERNMENT IS THE PROMOTION AND PROTECTION OF DOMESTIC INDUSTRY. IT HAS IMPOSED RELATIVELY HIGH TARIFFS TO STIMULATE DEVELOPMENT IN CERTAIN SECTORS AND A RELATIVELY WIDE RANGE OF IMPORT CONTROLS IS IN FORCE. THE GOVERNMENT IS ALSO COMMITTED TO IMPROVING EXPORT PERFORMANCE AND NUMEROUS EXPORT INCENTIVES ARE AVAILABLE. SOUTH AFRICA IS A MEMBER OF THE GENERAL AGREEMENT ON TARIFFS AND TRADE AND A MEMBER OF THE SOUTHERN AFRICA CUSTOMS UNION (WITH BOTSWANA, LESOTHO AND SWAZILAND). IT HAS SIGNED A DOUBLE TAXATION AGREEMENT WITH THE UNITED STATES AND IS A MEMBER OF THE INTERNATIONAL COVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY.

5. POTENTIAL INVESTORS SHOULD ACQUAINT THEMSELVES WITH THE SOCIAL AND POLITICAL CLIMATE OF THE COUNTRY. THE GOVERNMENT PROVENTS PARTICIPATION BY THE AFRICAN, COLORED AND ASIAN POPULATIONS IN THE POLITICAL PROCESS, AND SEVERELY RESTRICTS THEIR ROLE IN ECONOMIC AND SOCIAL LIFE. BOTH LEGAL AND CUSTOMARY RESTRICTIONS PREVENT FULL USE OF

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THE LABOR FORCE AND SKILLED LABOR IS IN SHORT SUPPLY.

6. AS PART OF ITS GENERAL POLICY OF "SEPARATE DEVELOPMENT" OF THE DIFFERENT RACIAL GROUPS, THE GOVERNMENT PROVIDES SUBSTANTIAL INCENTIVES TO INVESTMENT IN THE AREAS SET ASIDE FOR AFRICANS AND ON THE BORDERS OF THESE AREAS.

7. THE UNITED STATES GOVERNMENT NEITHER ENCOURAGES NOR

DISCOURAGES INVESTMENT IN SOUTH AFRICA BUT ENCOURAGES THOSE WHO DO INVEST TO UPGRADE CONDITIONS OF THEIR NON-WHITE EMPLOYEES. THE UNITED STATES GOVERNMENT CONSIDERS SOUTH AFRICA'S ADMINISTRATION OF SOUTH WEST AFRICA (NAMIBIA) TO BE ILLEGAL AND DISCOURAGES AMERICAN INVESTMENT IN THE TERRITORY.

88. INVESTMENT STATISTICS.

1. FIGURES ON US DIRECT INVESTMENT IN SA AND SA INVESTMENT IN THE US ARE PUBLISHED IN "SURVEY OF CURRENT BUSINESS".

2. SA FIGURES ON FOREIGN DIRECT INVESTMENT IN SA APPEAR IN THE QUARTERLY BULLETIN OF THE SA RESERVE BANK, SENT REGULARLY TO AF/S, INR, LR AND TREASURY (AMONG OTHERS). THESE SHOW ( PAGE 65 OF JUNE BULLETIN) 4.55 BILLION RAND (ONE RAND - \$1.40) IN TOTAL FOREIGN DIRECT INVESTMENT IN THE PRIVATE SECTOR AT THE END OF 1972, OF WHICH 2.955 BILLION WAS FROM THE STERLING AREA, .906 BILLION FROM THE DOLLAR AREA, AND .663 BILLION FROM WESTERN EUROPE. NO MORE DETAILED OR RECENT FIGURES ARE AVAILABLE.

3. SA RESERVE BANK HAS TOLD US THAT THESE FIGURES ARE BASED ON AN ANNUAL SURVEY UPDATING A CENSUS OF INVESTMENT TAKEN A FEW YEARS AGO. BANK IS DOING ANOTHER CENSUS AND EXPECTS TO RELEASE FIGURES LATE THIS YEAR. NEW FIGURES WILL BE BROKEN DOWN BY CONTINENT BUT NOT BY CURRENCY AREA OR BY INDIVIDUAL COUNTRY AS SEVERAL COUNTRIES HAVE ASKED NOT TO BE SHOWN SEPARATELY. RESERVE BANK TELLS US THAT IT IS ALREADY CLEAR FROM NEW CENSUS THAT FIGURES ON PAGE 65 WILL BE SIGNIFICANTLY HIGHER.  
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